

The Utah Health Insurance Exchange

Goal of the Exchange:

The purpose of the Utah Health Insurance Exchange is to make it easier and more attractive for individuals and families to purchase health insurance.

Description & Overview

The Utah Health Insurance Exchange is a mechanism that will facilitate the purchase of health insurance by individuals and families in the State of Utah. The Exchange provides a legal structure for working individuals to purchase health insurance using pre-tax income, employer contributions, and federal and state subsidies.

Clearinghouse – The Exchange would act as a clearinghouse for approved health insurance products offered by private insurance companies. The Exchange would be responsible for collecting and consolidating premium payments and forwarding them to the insurance companies.

Employees – Employees electing to participate could select any offered health plan for themselves and their dependents, presumably based on information about cost and coverage. The employee's share of premiums would be collected by the employer through pre-tax withholding.

Employers – Employers could designate the Exchange as their group health plan. Employers could contribute toward employee and dependent coverage, however they would have no obligation to do so. If members of a family are eligible for contributions from multiple employers, these could be combined to facilitate the purchase of a family plan through the Exchange.

Public Subsidies – Employees could also apply for state and federal subsidy programs for themselves and their dependents, such as the Utah Premium Partnership for Health Insurance (UPP). If approved, these public dollars would also flow through the exchange reducing the employee's share of premiums.

Key functions of the Exchange – The Exchange approves products for inclusion, providing information to workers and individuals that will allow them to make an informed choice, and it collects premium payments from the various sources and forwards them to the insurance company.

Other Considerations

Employer Obligations – Employers who do not have other health plans would be required to make the Exchange available to their employees. They would not have to contribute to the system, but they would have to set up the plan, collect premiums, and submit them to the Exchange.

Mandates on Insurance – The Exchange could effectively become the sole marketplace for individual and family policies. We could also consider making the Exchange the only option for

the small group market. Insurers would compete for business by offering attractive policies. The Exchange would establish requirements to prevent niche products and cherry-picking.

Risk Sharing – The Exchange would also incorporate a mechanism for addressing the issue of high-risk individuals (the “uninsurables”). There are various options for dealing with this that will be explored, such as community rating, allowing companies to rate up or not, and folding HIP Utah into the Exchange as a reinsurance pool.

Rating – Insurance companies that offer policies through the Exchange will also need to explore options for rating applicants that make the process manageable.

Role of Brokers – Licensed and trained producers and brokers would provide valuable assistance to workers and individuals by offering advice and counseling on the selection of health plans. They may also enroll eligible individuals and groups and receive a commission from the plans

Advantages of the Exchange Model

Affordability – It will reduce the cost of insurance to working individuals by allowing them to pay their portion of premiums with pre-tax dollars

Combining Resources – It will reduce the cost of insurance to working individuals by allowing them to supplement their contributions with funds from employers and when applicable, state and federal programs. This feature is enhanced by the ability to pool these contributions at the family or household level when family members are employed by separate employers.

Simplifying the Process – The Exchange will simplify the process of obtaining coverage by standardizing the application, providing clear comparisons of costs and benefits of approved plans. While this system is still employment based, the role of the employer in choosing coverage options for employees is greatly diminished. Additionally, the employer is relieved of the burden of administering a health plan.

Private Solution – It strengthens the private health insurance market by using public money to subsidize private solutions instead of public programs. Making the purchase of insurance more attractive and affordable to those currently uninsured increases volume to participating plans. The Exchange concept is *not* a government-run insurance product. Its function is purely administrative not regulatory.

Flexibility and Choice – It can bring flexibility, choice, and competition into the market because working individuals can choose the plan that meets their needs, instead of the plan their employer has chosen for them. Participants in the Exchange would be allowed to change their plan during annual open enrollment or after other qualifying events.

Portability – The Exchange makes health insurance policies personal and portable. When an individual leaves employment or changes jobs they can take their plan with them even if the new employer does not participate in the Exchange. The type and level of an individual's coverage is no longer dictated by the job they have.

Driving Up Volume

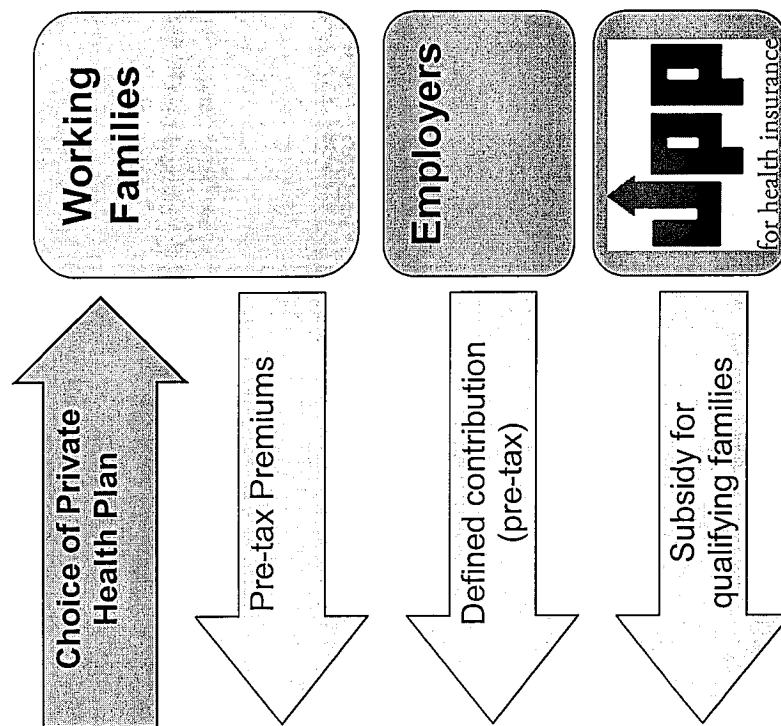
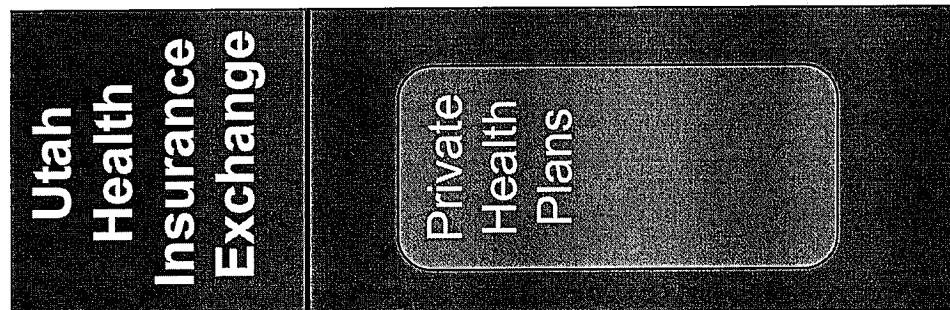
In order for the Exchange to be successful, it must have enough volume to keep insurance companies interested and protected. There are several possibilities for driving enough volume for success.

Individual Market – The Exchange could be designated as the only place where individual policies can be offered. This would immediately bring in 135,000 covered lives. New applicants would be added to this number, creating a large, stable pool.

Small Group Market – Similarly, the Exchange could be designated to replace the current small group market. This would bring in 220,000 covered lives.

Individual Responsibility – Volume could also be generated by requiring that all Utahns have health insurance. Those that do not have a qualified employer plan would use the Exchange as their marketplace. This would significantly increase the number of working Utahns participating in the Exchange. The concept of an individual mandate is a complicated and sensitive issue that must be the subject of a great deal of discussion.

Insuring Utah's Individuals and Working Families



The Utah Health Insurance Exchange is a clearinghouse for private health plans.

- Employers offer a pre-tax health plan to all employees
- Allows employers to use a defined contribution system
- Working families choose plans to meet their needs
- Health insurance premiums are tax free
- Health insurance becomes portable and flexible